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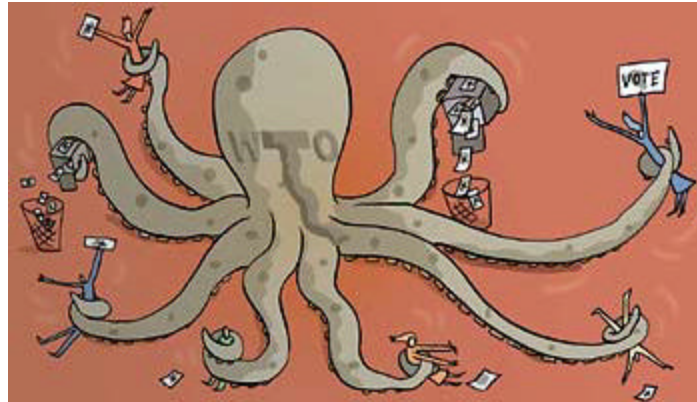
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SURVEY**

Who elected the WTO?

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The WTO is no would-be tyrant. It is democratic to a fault, and has few powers of its own

UNSURPRISINGLY, sceptics extend many of the criticisms they make of the IMF and the World Bank to the World Trade Organisation as well. If anything, they detest the WTO even more. Perhaps this is because, unlike the Fund and the Bank, the WTO brings what many critics regard as the most objectionable aspects of globalisation home to the rich countries, where most of those critics live.

The IMF undermines democracy in the developing world, the charge goes, which is bad enough; the WTO does the same thing in America and Europe as well, which is worse. The IMF and the Bank bring financial ruin to the poor countries that turn to them for help; but in the long term, the WTO inflicts even worse damage than that on all countries, rich and poor alike, solvent or otherwise. It does this, sceptics say, not through onerous borrowing conditions but by force of international law. Its prohibitions undermine efforts to protect the environment and eviscerate safeguards developed over decades to protect the health and well-being of consumers and workers.

On top of all this, of course, the specific mandate of the WTO is to promote trade, which many sceptics regard as a bad thing in itself. According to the anti-globalists' world view, it is only logical that much of the threat posed by the WTO to democracy springs from its dedication to trade. As noted earlier, many sceptics regard a liberal regime of international trade and investment as intrinsically hostile to democracy, because it promotes a competition for profits that overrides voters' political preferences.

This is the "race to the bottom" argument once more. The counter-arguments to this mistaken idea so far as it applies to taxes and the welfare state have already been rehearsed earlier in this survey. In the regulation of products and processes, with respect either to safety or to environmental impact, signs of a race to the bottom are equally hard to find. All the movement is the other way. Everywhere, the adoption of more demanding environmental standards gathers

pace as incomes rise.

But sceptics are also making a separate point that is less easy to dismiss. They say that the WTO is anti-democratic not merely indirectly, because of its devotion to trade, but also directly, as a matter of institutional design. This anti-democratic character, it is alleged, is a deliberate part of the organisation's working methods—and that is unacceptable, full stop.

According to sceptics, the WTO takes powers away from elected governments and grants them to faceless bureaucrats. It can tell America and Europe that rules to protect endangered species or to keep food free of dangerous chemicals are illegal, and that they must abandon these policies. It can stop governments in poor countries providing cheap generic medicines to their people because that would hurt the profits of the drug companies. The sick must pay over the odds for patent-protected branded drugs, or do without—either is fine with the WTO.

In all these cases, sceptics say, the interests of multinational corporations happen to be in conflict with the democratically expressed wishes of the people. Whenever that occurs, the WTO rules against democracy. Moreover, the critics continue, its unaccountable and unrepresentative bureaucrats arrive at their outrageous edicts in secret: the hidden masters of globalisation are not even required to explain themselves. The WTO is a kind of embryonic world government, but with none of the checks and balances that true democratic government requires. In short, it is an embryonic world tyranny. That is why, in the view of many sceptics, it is the most dangerous of all the institutions of globalisation.

True in part

As before, this indictment combines error, gross exaggeration and apparently deliberate distortion—but, as before, it also contains particles of truth.

Is the WTO anti-democratic by virtue of its institutional design?

The WTO's anti-democratic powers are held to reside mainly in the organisation's new dispute-resolution procedures. The strengthening of these arrangements was one of the notable achievements of the Uruguay Round of trade talks which concluded in 1994; they constitute one of the main differences between the WTO and its predecessor, the General Agreement on Tariffs and Trade (GATT). Under the new rules, governments cannot block the findings of a WTO dispute panel: once they have exhausted their right of appeal, countries held to have broken WTO rules must either change their policies so as to comply, or pay compensation to the injured party, or face trade sanctions. This apparent ability to overrule governments lies at the centre of the sceptics' objections to the new system.

It is true that the system is no longer, if it ever was, a mere bundle of agreements with a procedure for arbitration should disputes arise. Even before the new arrangements were adopted, the GATT had developed a partly rule-making, as opposed to strictly rule-clarifying, character: the reforms pushed a bit further in that direction. Even so, it remains highly misleading to talk of the WTO "taking powers" or forcing governments to ignore voters' wishes.

Despite its developing quasi-judicial role, the WTO remains an unambiguously intergovernmental, rather than supragovernmental, entity. Changes to the organisation's rules are proposed by member governments and adopted "by consensus"—which in practice means they require unanimity. As the WTO likes to say, far from being anti-democratic, it is actually

hyper-democratic. No government ever had to accept a new WTO rule because it was outvoted, as might happen in the European Union; every one of the organisation's 142 members has a veto.

If the WTO involves any pooling of sovereignty, therefore, it is only in an extremely limited sense. When a dispute arises, the quarrel may be over exactly what a rule means, or how it should be applied in particular, possibly unforeseen, circumstances; a government can never be compelled to obey a rule that it opposed in the first place. This applies to the new dispute-settlement rules as much as to anything else: every member government has agreed to them as well.

Moreover, the idea that the WTO enforces obedience by punishing violators is itself a distortion. Its principal role, once a dispute is under way, is still to act as referee while two or more governments fight it out. Consider a favourite example of European sceptics: the continuing dispute between the European Union and the United States over hormone-treated beef.

Europe first banned imports of such beef from America in 1989, citing health concerns. The United States has taken the matter to the WTO's dispute-settlement body. Although sceptics often claim otherwise, the WTO's rules (which, to repeat, both Europe and the United States have freely agreed to) do allow countries to ban imports to protect consumers from dangerous products. But they also require governments to show reputable scientific evidence in support of their controls, and insist that measures do not discriminate between suppliers, rather than favouring one country's exports over another's, or domestic production over imports. Without these provisos, countries could ban imports at will, something which the signatories to the agreement presumably considered undesirable.

At present, to the sceptics' horror, Europe is deemed to have violated the rules. This is not because health concerns are routinely set at naught by the WTO, as is often falsely claimed, nor even because the beef-import ban itself has been ruled illegal: the issue never got that far. It is because the EU elected to produce scientific evidence in support of its ban and then failed to do so. In due course, the WTO may authorise the United States to impose retaliatory trade sanctions of its own. In the face of that threat, the European Union may or may not give way and lift its ban.

In either case, to say that the WTO is trying to force Europe to open its markets seems odd. It is the United States, surely, which is doing the forcing. Every case that comes before the WTO is first and foremost a dispute between governments, not a dispute between a government and the organisation itself. Also, whatever the merits of the beef-and-hormones case, America's government claims to be serving its citizens' interests, just as the EU's authorities claim to represent the voters of Europe. So it is hardly a matter of the WTO against democracy, as sceptics would have it; rather, it is a question of one democracy against a union of other democracies—with the WTO in the middle, taking the brickbats for trying to calm things down.

What if the WTO did not exist, as most sceptics seem to wish? Would the EU ban have been sustained without objection, assuring the primacy of health and environmental standards worldwide, and everywhere peace and light? Plainly not. The same trade dispute would simply have been prosecuted through other means: instead of a mediated dispute conducted under agreed rules, there would have been a naked trial of strength between the EU and the United States.

In such a contest, who knows whether Europe's view on beef and hormones would prevail? To make peace in due course, it might have to abandon its present position. What is certain is that the costs of conducting the dispute this way, rather than through the WTO's procedures, would be very much greater. And although the EU might be able to stand up for its interests in an economic fight with America, a small country in a dispute with a much bigger one would have a less good chance. That is why the governments of poor countries have been so eager in recent years to join first the GATT and then the WTO. They understand that in trade policy, unless attitudes change a lot, the alternative to the WTO is not "democracy prevails" but "might is right".

Doing good by stealth?

As in other areas, the sceptics' overall case against the WTO is deluded—but some of their points, lost in the fog of rage, are fair. In trade policy, their strongest argument is about the system's culture of secrecy. They are right about much of this. The reasons go deeper than they may know, or governments may care to acknowledge.

**The mercantilist
view, that exports
are good and
imports are bad, is
an economic
fallacy**

The multilateral approach to trade liberalisation, pursued first through the GATT and now through the WTO, does have a horrible flaw. It espouses the idea that lowering trade barriers is a concession you make to your trading partners; a sacrifice for which you require compensation, or "reciprocity", in the jargon. This mercantilist view of trade—exports are good, imports are bad—is an economic fallacy. Politically—and this is to endorse a point made by sceptics—it serves to enthrone producer interests, neglecting all others. Trade agreements go forward when exporters on all sides tell their governments that they see something in it for them; the interests of importers (that is, workers and consumers at large) are implicitly regarded as politically insignificant.

This has a further consequence. Most governments insist that the grubby details of trade negotiations be kept secret; this is their idea, not the WTO's. At the end of any round of trade talks, a triumphant breakthrough backed by all sides can be announced. In the meantime, as you might expect, governments prefer to keep their negotiators' craven submission to corporate interests under wraps.

The justification for this pact with the devil is that by setting one country's producer interests against another's, it has mobilised big business in support of freer trade, helping to neutralise protectionist sentiment; as a result, trade has in fact been liberalised. Exporters have been pleased with the outcome, to be sure, but that is not the point. Liberal trade is good because it raises the incomes of consumers and workers at large, and especially because it improves the prospects of the poorest countries. It could be argued that this great prize has been well worth the cost in intellectual dishonesty and political stealth.

But whether or not the mercantilist pact can be justified in that way, its terms will probably have to change. Wrong as they are about most things, the sceptics may be right about that. Governments have no persuasive reply to the demand that trade policy should be conducted in public, and that the WTO's dispute-settlement machinery, especially, should work in plain sight. Proponents of liberal trade can no longer expect trade policy to be sheltered, in the interests of "effectiveness", from the demands for honest, open and accountable governance that are regarded as compelling in other areas.

If the mercantilist pact breaks down under public scrutiny, as it may, there is a risk that the cause of liberal trade will be set back. Certainly that is what anti-globalists are hoping. But there is also another, more encouraging, possibility. If governments still want to promote liberal trade—and rising incomes, other things equal, are popular with voters—they could try to do so on its economic merits. Being honest would be inconvenient, and after all these years would certainly seem peculiar. Exporters would be displeased to find that governments were listening to them less avidly. But governments would find it easier to be straightforward about the case for trade. Perhaps they could even convince themselves, and enough voters to make the difference, that unilateral, uncompensated trade liberalisation is the best way to serve the public interest.

If they could do that—but only then—the WTO in its present form would no longer be needed at all, and liberals could join sceptics in celebrating its demise. But given the demands this would place on government, that day will not dawn just yet.

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